

**CIRCUIT ENGINEERING
DISTRICT # 7, OKLAHOMA**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

Circuit Engineering District #7

P.O. Box 337

Clinton, OK 73601

Tel. (580) 323-8685 Fax (580) 323-8680

Serving Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita Counties

September 25, 2013

To the Citizens of Circuit Engineering District #7:

We are pleased to present the Circuit Engineering District #7 (the "District") annual financial statements for the year ended June 30, 2013. This report contains basic financial statements and other financial and statistical information, providing complete and full disclosure of all financial aspects of the CED for fiscal year 2013.

Responsibility for the accuracy, completeness and fairness of this report rests with the District. This report was prepared in conformity with generally accepted accounting principles set forth by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources, and it is representative of the District's commitment to provide complete financial information.

The financial statement is divided into three sections:

1. The Introductory Section contains a letter of transmittal and organizational charts for the CED staff and Board of Directors.
2. The Financial Section contains the independent auditor's report; management's discussion and analysis; basic financial statements; and notes to the basic financial statements.
3. The Statistical Section includes selective financial, economic, and demographic information about the CED and its member counties.

Form of Government and Reporting Entity

The District was created October 9, 1998 and began operations August 1, 1999, under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state may create a circuit engineering district with any other county or counties located within its Association of County Commissioners of Oklahoma district to assist the counties in carrying out the day-to-day activities related to road maintenance, construction, engineering and inspection.

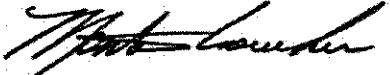
The District covers an eleven county region including: Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita counties. During fiscal year 2013, these counties participated together in bridge inspection services, bridge and roadway design and construction engineering services, construction inspection services, sign making, Force account bridge construction and training classes for the member counties.

The District also reports one blended component unit, the CED#7 County Energy District Authority (the "Authority"). The Authority was created under Title 60 on October 26, 2010 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the trustees of the District serve as Trustees of the Authority.

Factors Affecting Financial Condition

The District operates from four financial sources: Oklahoma Department of Transportation bridge inspection fees, design and construction engineering fees, construction inspection fees, force account bridge construction fees and legislative grants administered by the Association of County Commissioners of Oklahoma. For additional information on the financial condition of the District, please review the Management Discussion and Analysis in Section II of the financial statement.

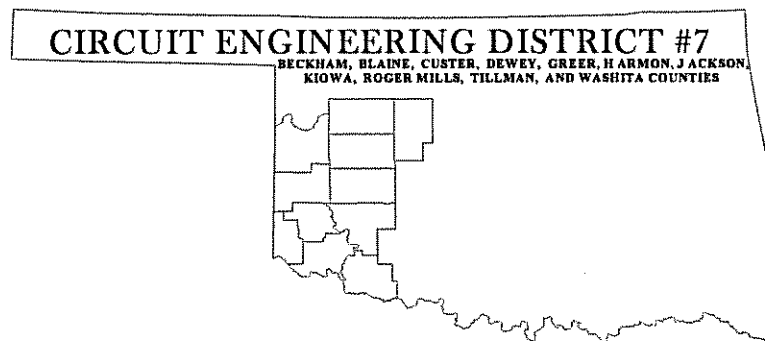
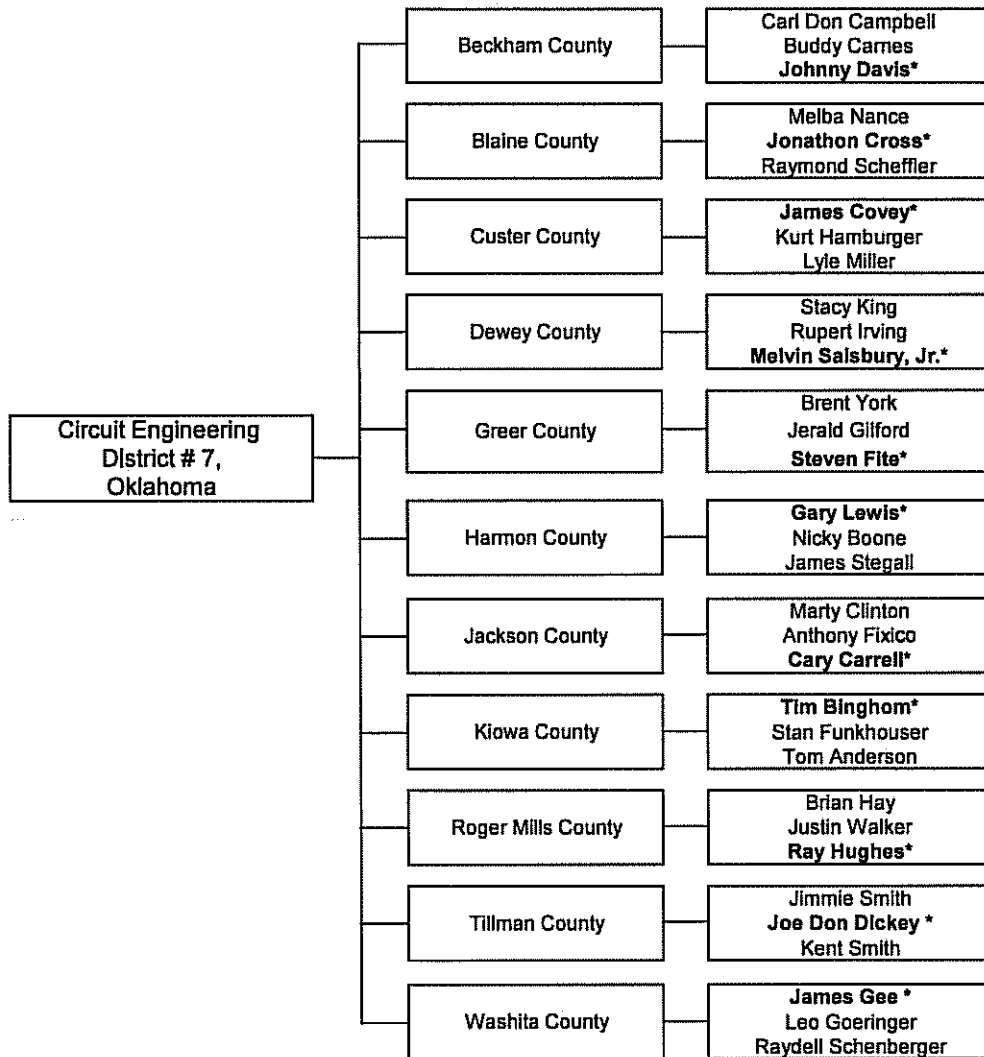
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Monte Goucher", written in a cursive style.

Monte Goucher, P.E.
Executive Director, Circuit Engineer CED #7

Circuit Engineering District #7, Oklahoma

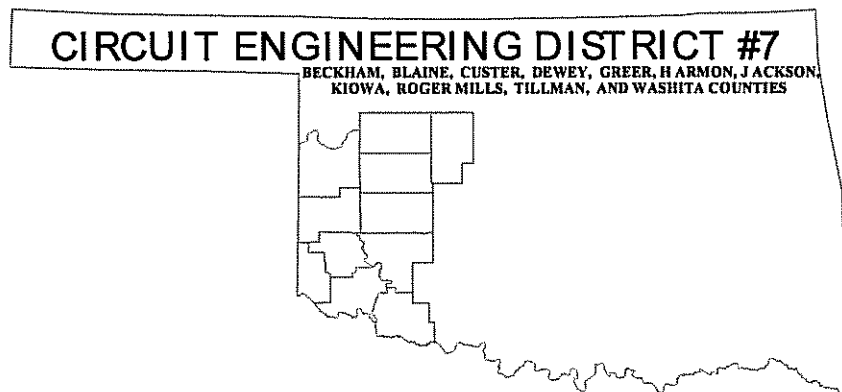
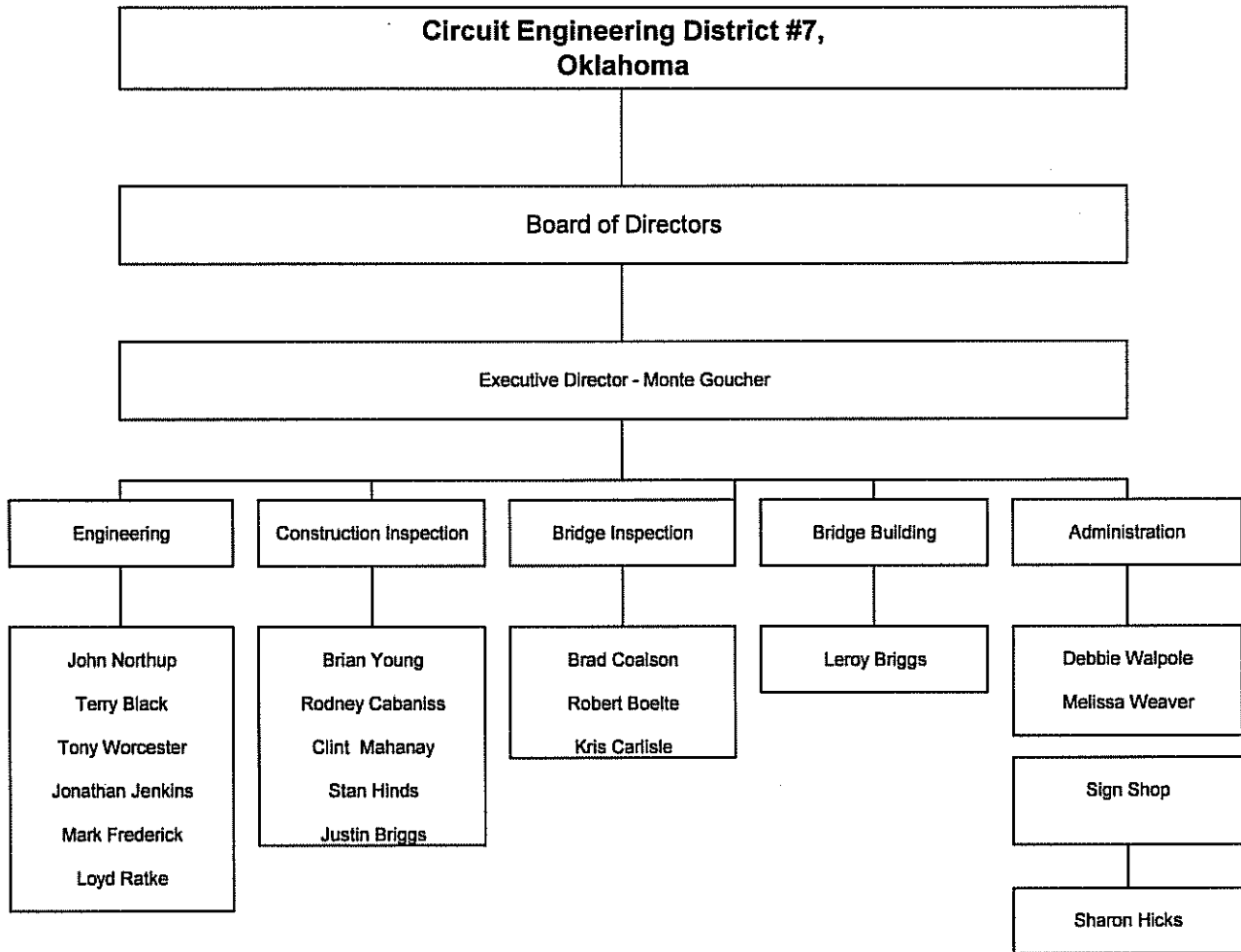
2012-2013 Board of Directors Organizational Chart



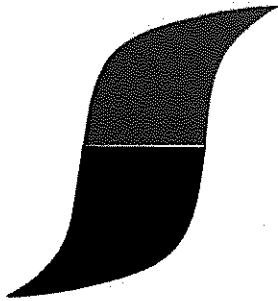
* Member of the Circuit Engineering District Board of Directors

Circuit Engineering District #7, Oklahoma

2012-2013 Staff Organizational Chart



FINANCIAL SECTION



FSW&B

CERTIFIED PUBLIC ACCOUNTANTS

205 West McElroy
Stillwater, OK 74075
(405) 624-9500

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Circuit Engineering District # 7, Oklahoma

We have audited the accompanying financial statements of the governmental activities and major fund of Circuit Engineering District # 7, Oklahoma (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Circuit Engineering District #7, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Stillwater, OK

December 17, 2013

**CIRCUIT ENGINEERING DISTRICT #7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

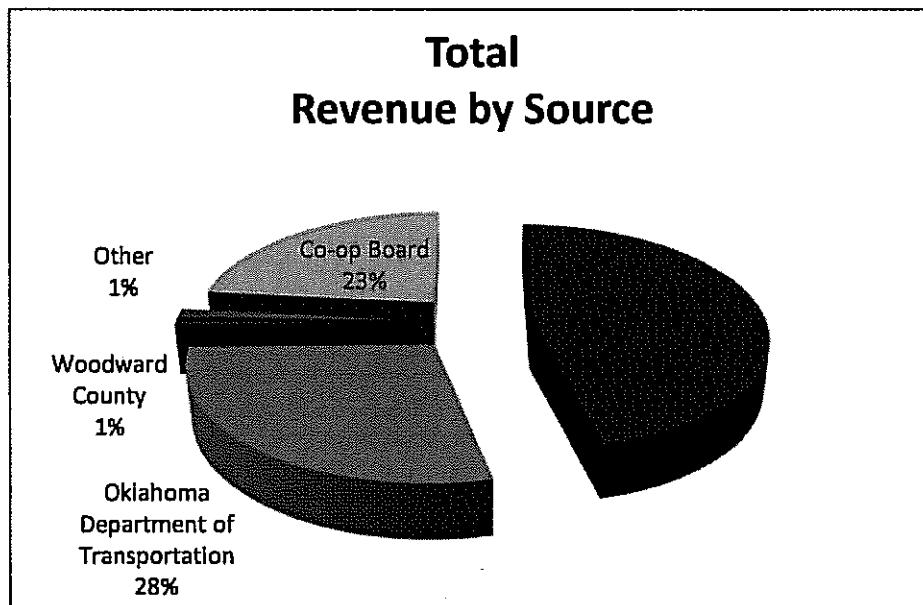
Our discussion and analysis of the Circuit Engineering District #7's ("District") performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please review it in conjunction with the transmittal letter and the District's basic financial statements.

Financial Highlights

- The District's assets exceeded its liabilities by \$3,078,338 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,645,535.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$665,430 include property and equipment, net of accumulated depreciation. The District had outstanding debt of \$2,247,163 related to capital assets as of June 30, 2013.
 - (2) Unrestricted net assets of \$1,682,339 represent the portion available to maintain the District's continuing obligations to member counties and creditors. Included in unrestricted net assets is \$329,977, which the District has restricted internally for capital asset purchases.
- Total liabilities of the District increased from \$287,038 to \$2,458,046 during the fiscal year. The increase is attributable to notes payable for the construction of the Energy District.
- Over \$525,000 in revenues was generated from CIRB through project management, interest earnings, and CBR! direct allocation per state statute.

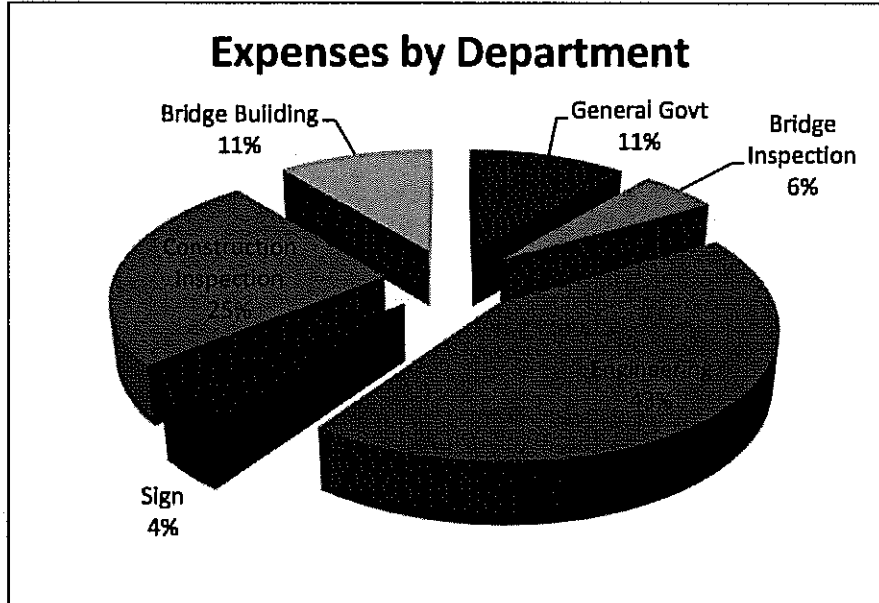
Operations for the fiscal year 2013 were mainly supported by engineering fees, OCCEDB distributions and construction inspection fees, which provided 41%, 18% and 22% of revenues for the year. Bridge inspection fees (6%), sign shop proceeds (3%), and bridge building proceeds (8%) also contributed to the operations for the year. Investment earnings, and auction proceeds provided the remainder of the support for the year.

During fiscal year 2013, the District received revenues from the following sources:



**CIRCUIT ENGINEERING DISTRICT #7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Expenses were allocated by the following departments as of June 30, 2013:



Operating expenses for 2013 decreased 9% over prior year. The following chart displays the change in expenses when compared to prior year.

Expenses by department

	2013	2012	Change	
			\$	%
General government	\$ 268,064	\$ 404,202	\$ (136,138)	-34%
Engineering	1,042,242	916,400	125,842	14%
Construction Inspection	607,852	412,529	195,323	47%
Bridge Inspection	132,639	151,774	(19,135)	-13%
Bridge building	262,685	219,918	42,767	19%
Signs	94,436	100,400	(5,964)	-6%
	\$ 2,407,918	\$ 2,205,223	\$ 202,695	9%

The decrease in expenditures for General Government can be attributed to the prior fiscal year purchase of steel beams used for a bridge building construction grant program offered to member counties in the current fiscal year. In addition, money set aside for building repairs were not utilized during the fiscal year as budgeted. Capital improvements to the building are planned for FY 2014. The increase in Engineering expenses was primarily due to the addition of two engineering staff personnel needed to provide drafting and right of way acquisition services to member counties. Also, additional subcontractor services for drafting and design work were utilized for this fiscal year. Construction Inspection experienced an increase in expenditures due to the addition of two additional staff members and associated vehicle costs needed to accommodate the growing number of inspection projects in the district. The Bridge Safety Inspection program showed a decrease in expenditures primarily due to the district retaining the use of the existing inspection vehicle and declining the purchase of the new vehicle during this fiscal year. The bridge building operation experienced an increase in expenses which are a result of some non-routine bridge construction projects where the subcontract services were

**CIRCUIT ENGINEERING DISTRICT #7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

higher than for typical county bridge construction projects. Sign shop expenses decreased due to the smaller amount of inventory purchased due to carry over inventory from the prior fiscal year.

Using This Annual Report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The Fund financial statements tell how the services were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities:

One of the most important questions asked about the District's finances is "Is the CED as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's availability of capital projects and continuing local government support to assess the overall health of the District.

Balance Sheet and Statement of Revenue Expenditures and Changes in Fund Balance:

The District's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Included in the financial statements is a reconciliation between the governmental activities and governmental fund financial statements.

Notes:

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided.

**CIRCUIT ENGINEERING DISTRICT #7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Other Information:

In addition to the basic financial statement and accompanying notes, this report also presents statistical information, not required to be presented in the notes, but deemed by management to be beneficial in additional analysis of the financial statements.

2013 Operations and Future Plans

Fiscal year 2013 was a year of growth for the District with the addition of staff for the engineering and construction departments and the near completion of the asphalt emulsion plant initiated by the County Energy District Authority. The emulsion plant will produce road oils to be purchased and used by member counties for maintenance and construction of the districts county roads. The road oil formula, exclusively owned by the district, will produce a superior emulsion product that will result in a significant savings to the member counties. The CIRB program enacted by the legislature in 2006 has been making an impact on the districts engineering operations in the previous years, however, the impact of these design projects now coming online is being felt by the construction inspection department with over \$13 million construction contracts let during the fiscal year.

The district will continue to utilize and solicit the assistance of private sector engineering consultants to assist with the preparation of roadway plans and projects scheduled on the districts 5-year construction plan. Presently the district is engaged with three (3) private consultant firms providing drafting and design services with some turn-key services contracts for specific projects. The district will continue to strive for a healthy balance of "in house" projects and outsourcing of services. Approximately 57% of the districts engineering budget is dedicated to outsourcing of services to the private sector.

The anticipated budgeted revenues are expected at \$2,471,500 compared to the prior year budgeted amount of \$1,960,000 or a 26.1% increase. The majority of the increase in revenue will be attributed to growth of engineering staff and increased work production along with increased subcontractor services for design assistance. It is anticipated that the district will experience an increase in expenses for the upcoming fiscal year estimated at 107%. The district has budgeted \$24,000 in capital purchases for engineering (computers and software) and laboratory equipment and \$75,000 for the expansion of the materials laboratory. The present materials lab does not provide adequate space for additional testing apparatus needed to compliment the districts new asphalt emulsion plant.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or any request for additional financial information should be addressed to the CED #7, PO Box 337, Clinton, Oklahoma 73601.

Monte Goucher, P.E.
Executive Director, Circuit Engineer CED #7

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,275,642	\$ 7,148	\$ 1,282,790
Investments	127,530	-	127,530
Restricted cash	329,977	-	329,977
Restricted investments	400,592	-	400,592
Accounts receivable	378,334	-	378,334
Unbilled receivables	47,543	-	47,543
Prepaid assets	18,586	-	18,586
Inventory	38,439	-	38,439
<i>Total current assets</i>	<u>2,616,643</u>	<u>7,148</u>	<u>2,623,791</u>
Non-current assets:			
Land	35,214	14,786	50,000
Other capital assets, net of depreciation	567,739	2,294,854	2,862,593
<i>Total non-current assets</i>	<u>602,953</u>	<u>2,309,640</u>	<u>2,912,593</u>
Total assets	<u>\$ 3,219,596</u>	<u>\$ 2,316,788</u>	<u>\$ 5,536,384</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 30,346	\$ 1,848	\$ 32,194
Accrued expenses payable	-	88,026	88,026
Accrued interest payable	-	25,832	25,832
Notes payable	-	319,747	319,747
<i>Total current liabilities</i>	<u>30,346</u>	<u>435,453</u>	<u>465,799</u>
Non-current liabilities:			
Compensated absences	64,831	-	64,831
Notes payable	-	1,927,416	1,927,416
<i>Total non-current liabilities</i>	<u>64,831</u>	<u>1,927,416</u>	<u>1,992,247</u>
Total liabilities	<u>95,177</u>	<u>2,362,869</u>	<u>2,458,046</u>
NET POSITION			
Invested in capital assets, net of related debt	602,953	62,477	665,430
Restricted	400,592	-	400,592
Unrestricted	2,120,874	(108,558)	2,012,316
<i>Total net position</i>	<u>3,124,419</u>	<u>(46,081)</u>	<u>3,078,338</u>
Total liabilities and net position	<u>\$ 3,219,596</u>	<u>\$ 2,316,788</u>	<u>\$ 5,536,384</u>

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 268,064	\$ 11,608	\$ 528,229	\$ 271,773
Engineering	1,042,242	1,164,147	-	121,905
Construction inspection	607,852	653,006	-	45,154
Bridge inspection	132,639	175,170	-	42,531
Bridge building	262,685	225,683	-	(37,002)
Signs	94,436	89,040	-	(5,396)
Total governmental activities	\$ 2,407,918	\$ 2,318,654	\$ 528,229	\$ 438,965
Business-type activities:				
Energy District	\$ 77,320	\$ -	-	\$ (77,320)
Total business-type activities	77,320	-	-	(77,320)
Total primary government	\$ 2,485,238	\$ 2,318,654	\$ 528,229	\$ 361,645
Primary Government				
		Governmental Activities	Business-type Activities	Total
Changes in Net Assets:				
Net (expense) / revenue		\$ 438,965	\$ (77,320)	\$ 361,645
General revenues:				
Auction proceeds		\$ 69,297	\$ -	\$ 69,297
Gain (Loss) on Sale of Assets		-	-	-
Unrestricted investment earnings		1,846	15	1,861
Transfers - Internal activity		(14,786)	14,786	-
Total general revenues and transfers		56,357	14,801	71,158
Change in net assets		495,322	(62,519)	432,803
Net assets-beginning		2,629,097	16,438	2,645,535
Net assets-ending		\$ 3,124,419	\$ (46,081)	\$ 3,078,338

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,275,642
Investments	127,530
Restricted cash	329,977
Restricted investments	400,592
Net receivables	378,334
Unbilled receivables, net	47,543
Prepaid assets	18,586
Inventory	38,439
Total assets	\$ 2,616,643
LIABILITIES	
Accounts Payable	\$ 30,346
Accrued payroll liabilities	-
Compensated absences	64,831
Deferred Grant Revenue	-
Total liabilities	95,177
FUND BALANCE	
Nonspendable	482,902
Restricted	400,592
Committed	329,977
Assigned	
Unassigned	1,307,995
Total fund balance	2,521,466
Total liabilities and fund balance	\$ 2,616,643
Total Governmental Fund Balance	2,521,466
Amounts reported for governmental activities in the statement of net assets are different because:	
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. See Note 4.C for additional detail.	
Land	35,214
Capital assets	1,220,783
Less: Accumulated depreciation	(653,044)
	<u>602,953</u>
Net assets of Governmental Activities	\$ 3,124,419

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund
Revenues:	
Engineering fees	\$ 1,187,534
Construction inspection	632,096
Bridge inspection fees	175,170
Bridge building fees	225,683
Intergovernmental	528,400
Signs	89,300
Proceeds from sale of assets	-
Auction proceeds	69,297
Reimbursed expenses	8,702
Interest income	1,846
Total Revenues	2,918,028
Expenditures:	
Current operations:	
Engineering	1,005,480
Construction Inspection	568,236
Bridge inspection	122,816
Bridge building	223,476
Signs	93,217
General government	225,999
Capital expenditures	84,384
Total Expenditures	2,323,608
Excess revenues over (under) expenditures	594,420
OTHER FINANCING SOURCES (USES)	
Transfers out	(14,786)
Total other financing sources and uses	(14,786)
Net Change in Fund Balance	579,634
Fund balance at beginning of year	1,941,832
Fund balance at end of year	\$ 2,521,466
Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:	
Net change in Fund Balances - Total Governmental Funds	\$ 579,634
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases capitalized	84,384
Depreciation expense	(153,910)
	(69,526)
In the statement of activities, the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale, if any, increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of \$17,886, net of related accumulated depreciation of \$3,100.	(14,786)
Change in Net Assets of Governmental Activities	\$ 495,322

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities
	Energy District
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,148
Investments	-
Restricted cash	-
Accounts receivable	-
Unbilled receivables	-
Inventory	-
<i>Total current assets</i>	<u>7,148</u>
Non-current assets:	
Land	14,786
Other capital assets, net of depreciation	2,294,854
<i>Total non-current assets</i>	<u>2,309,640</u>
Total assets	<u>\$ 2,316,788</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,848
Accrued expenses payable	88,026
Accrued interest payable	25,832
Notes payable	319,747
<i>Total current liabilities</i>	<u>435,453</u>
Non-current liabilities:	
Notes payable	1,927,416
<i>Total non-current liabilities</i>	<u>1,927,416</u>
Total liabilities	<u>2,362,869</u>
NET POSITION	
Invested in capital assets, net of related debt	62,477
Restricted	-
Unrestricted	(108,558)
<i>Total net assets</i>	<u>(46,081)</u>
Total liabilities and net assets	<u>\$ 2,316,788</u>

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities
	Energy District
Operating Revenues:	
Sale of asphalt emulsion product	\$ -
<i>Total Operating Revenues</i>	<u>-</u>
Operating Expenses:	
Current operations:	
Other services and charges	77,320
<i>Total Operating Expenses</i>	<u>77,320</u>
Net Operating income	(77,320)
Nonoperating Revenue (Expense):	
Investment Income	15
<i>Total Nonoperating Revenue (Expense)</i>	<u>15</u>
Net Income (Loss) before contributions and transfers	(77,305)
Transfers from other funds	14,786
Change in Net Position	<u>(62,519)</u>
Net Assets - beginning of year	16,438
Net Assets - end of year	<u>\$ (46,081)</u>

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities</u>
	<u>Energy District</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 330
Payments to suppliers	30,539
Net cash provided (used) by operating activities	<u>30,869</u>
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from issuance of debt	1,780,163
Purchase of capital assets	(1,769,854)
Principal paid on capital debt	(58,000)
Net cash provided (used) by capital and related financing activities	<u>(47,691)</u>
<u>Cash flows from investing activities:</u>	
Investment income	15
Net cash provided (used) by investing activities	<u>15</u>
Net increase (decrease) in cash and cash equivalents	(16,807)
Cash and cash equivalents, July 1, 2012	<u>23,955</u>
Cash & cash equivalents, June 30, 2013	<u>\$ 7,148</u>
Cash, including time deposits	\$ 7,148
Total cash and cash equivalents, end of year	<u>\$ 7,148</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>	
Operating income (loss)	\$ (77,320)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	330
Increase (decrease) in accounts payable	(5,999)
Increase (decrease) in accrued expenses	113,858
Total adjustments	<u>108,189</u>
Net cash provided (used) by operating activities	<u>\$ 30,869</u>

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Circuit Engineering District #7, Oklahoma (the "District") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The District was created under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state may create a circuit engineering district with any other county or counties located within its Association of County Commissioners of Oklahoma district to assist the counties in carrying out the day-to-day activities related to road maintenance, construction and inspection.

Individual counties may elect to participate in the District by passage of a resolution, which accepts the Bylaws of the District. Membership consists of the voting and non-voting members. Voting members are County Commissioners appointed by a member county to serve on the Board of Directors. Non-voting members are affiliate or associate members which serve on committees or represent outside business interest to the District.

The District is governed by a Board of Trustees (the "Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of 11 voting members. Of the eleven, three are elected as officers of the District; President, Vice-President, and Secretary-Treasurer. Each officer serves a term of one year; there are no term limits for reappointment.

Within the District there are eleven eligible counties: Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita County. As of June 30, 2013, all eligible counties elected to participate in the District.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or, (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has one component unit.

Blended Component Unit Reported with Primary Government:

CED #7 County Energy District Authority (the "Authority") – was created under Title 60 on October 26, 2010 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the trustees of the District serve as Trustees of the Authority. District employees carry on the activities of the Authority. The Authority provides assistance to member counties in the negotiation and preparation of Wind Farm Road Maintenance agreements and also plans to provide emulsified asphalt to member counties for use in

**CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

resurfacing roadways in the future. Accounts of the Authority are recorded in business-type activities.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District utilized two funds, the governmental and proprietary funds. The fund of the financial reporting entity is described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Funds

CED #7 County Energy District Authority

The CED#7 County Energy District Authority accounts for transactions relating to providing emulsified asphalt to member counties for use in resurfacing roadways.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income,

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported.

In the governmental fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, the governmental fund is presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "Cash and cash equivalents" includes all unrestricted demand, savings accounts, and certificates of deposits maturing within 90 days. A formal deposit or investment policy has been developed by the District. Under common pretense, the District requires that all deposits be insured or collateralized within the financial institution maintaining custody of the deposit. Additional cash and investment disclosures are presented in Notes 2.B. and 4.A.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include construction inspection and engineering fees.

In the fund financial statements, material receivables in the governmental fund include revenue accruals such as construction inspection and bridge inspection fees since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Inventory

Inventory consists of materials, including aluminum, film, and posts to construct regulatory signs for member counties. Amount in inventory represent new materials at cost basis. Cost of goods sold is recognized on the first in-first out basis. Reserves for obsolete inventory are recorded as considered necessary based upon the performance of an annual inventory.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The District's capital assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	3-15 years
Improvements	15 years
Buildings	30 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets include cash from auction proceeds. Such funds are restricted by the Board of Directors for the purchase of capital assets. It is the policy of the District to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Compensated Absences

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as non-current liabilities in the government-wide statements. In the fund financial statements, the

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

governmental fund reports only the compensated absence liability payable from expendable available financial resources.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made by the District include accounts receivable and inventories. Actual results could differ from the estimates.

Unbilled Receivables and Revenue Recognition

In the past, contracts were accounted for on a percentage of completion basis, whereby revenue is recognized as the project progresses. In 2011, we moved from a percentage of completion basis to hourly billing, whereby hours worked on a project are billed as incurred. Hourly billing is considered to be a more relevant measure of performance on the contracts.

Revenues recognized prior to invoicing the client are recorded as unbilled receivables, where the collection of the receivable is probable. Unbilled amounts will be invoiced in subsequent periods. As of June 30, 2013 the District has \$47,543 in unbilled receivables. Of this amount, \$25,578 is attributable to engineering fees and \$21,965 is attributable to construction inspection fees.

Bridge Inspection Fees

Bridge inspection fees are payments from the Oklahoma Department of Transportation for the inspections of bridges within the district. The district also inspects, repairs, and posts signs for a fee.

Engineering Fees

The District performs most required design engineering for the bridge and road construction projects within the district; the fees for the design services are estimated to be a percentage of the total estimated cost of construction for each project. However, the district is reimbursed at an agreed hourly rate for actual work performed for each project.

Construction Inspection Fees

The District performs most required construction inspection for bridge and road construction projects within the district; fees for the inspection services are estimated to be a percentage of the total estimated cost of construction for each project. However, the district is reimbursed at an agreed hourly rate for actual work performed for each project.

Bridge Building Fees

Bridge building fees are earned for the construction and repair of bridges across the district. Fees are billed at the completion of the project. These fees also include reimbursements for material and supplies used on the project.

Sign Fees

The District produces traffic signs for member counties and cities. The fees for production are based upon a standard rate charge. Fees are charged upon completion of the sign order.

Auction Proceeds

Auction proceeds represent the District's percentage of the sales commission generated from the yearly auctions held for surplus equipment and machinery. The District serves as host for the event and is paid accordingly.

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Contributions

As a governmental operating entity, the District receives contributions from other political divisions including the State of Oklahoma.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors, the District's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a government unit, the District and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The District complies with all state regulations requiring the use of separate funds.

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. See Note 4.A.

2.C. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The District complied with this statute in all material respects for the year ended June 30, 2013.

NOTE 3. INTERGOVERNMENTAL REVENUES AND CHARGES FOR SERVICES

Revenues are received from member counties which are related parties of the District. Such receipts are considered charges for services and include payment for engineering fees, construction inspection, and county road signs. During the year ended June 30, 2013, the member counties contributed the following funds to the District for services provided:

	Revenue Earned
Beckham County	237,566
Blaine County	124,270
Custer County	231,884
Dewey County	110,328
Greer County	97,194
Harmon County	130,101
Jackson County	146,992
Kiowa County	93,918
Roger Mills County	60,750
Tillman County	147,682
Washita County	262,866
Total Member Contributions	\$ 1,643,551

At June 30, 2013, amounts due from related parties were as follows:

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>June 30, 2013</u>
Beckham County	\$ 5,019
Blaine County	4,776
Custer County	16,148
Dewey County	5,856
Greer County	1,158
Harmon County	11,706
Jackson County	1,715
Kiowa County	2,928
Roger Mills County	2,300
Tillman County	3,128
Washita County	<u>20,341</u>
Total Member County Receivable	\$ <u>75,075</u>

NOTE 4. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

4.A. CASH AND CASH EQUIVALENTS

Deposits

The District's policies regarding deposits of cash are discussed in Note 1.D. During the fiscal year ended June 30, 2013, the District was in compliance of the required collateral pledge for custody risk. Assets in excess of FDIC limits were secured with a line of credit in the amount of \$2,000,000 from the Federal Home Loan Bank (FHLB) of Topeka.

The District invests in certificates of deposit which are reported as Cash and cash equivalents in the Statement of Net Position. At June 30, 2013, the District held two certificates of deposit in the amount of \$528,122 with an interest rate of 0.3% and maturity dates of December 6, 2013 and January 15, 2014. Cost equates to fair value of the certificate of deposit. This investment is included in Cash and cash equivalents on the Statement of Net Position. The District holds no other investments.

4.B. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of engineering fees, bridge inspection fees, sign revenues, and construction inspection fees, as well as the unbilled receivable due to the District based upon hourly fees for construction inspection and engineering projects.

4.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Governmental activities:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2013</u>
Land	\$ 50,000	\$ -	\$ 14,786	\$ 35,214
Equipment	418,134	53,626	3,100	468,660
Vehicles	193,554	27,238	-	220,792
Building improvements	335,311	3,520	-	338,831
Building	201,357	-	-	201,357
	<u>1,198,356</u>	<u>84,384</u>	<u>17,886</u>	<u>1,264,854</u>
Less accumulated depreciation	<u>511,091</u>	<u>153,910</u>	<u>3,100</u>	<u>661,901</u>
Net capital assets	<u>\$ 687,265</u>			<u>\$ 602,953</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 42,064
Engineering	25,337
Construction inspection	39,616
Bridge inspection	9,823
Bridge building	35,852
Sign	1,218
Total governmental activities depreciation expense	<u>\$ 153,910</u>

NOTE 5. OTHER NOTES

5.A. EMPLOYEE BENEFIT PLANS

The District has a defined contribution plan (a "457 plan") which covers all of its employees. The District contributes 12% of the covered employee's payroll. Employees are 100% vested in employer contributions upon entering the plan. Total contribution expense was \$96,991 in fiscal year 2013. The plan is administered by Lincoln Life.

5.B. RISK MANAGEMENT

The District is exposed to various risk of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The District participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self Insured Group (ACCO-SIG)	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
- Torts		
- Error and Omissions		
- Officer Liability		
- Vehicle		
Physical Plant	The District participates in a public entity risk pool – ACCO-SIG.	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
- Theft		
- Damages to Assets		
- Natural Disasters		

**CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Worker's Compensation - Employees' Injuries	The District participated in a public entity risk pool – ACCO-SIF	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The District carries commercial insurance for these types of risk.	None

ACCO-SIG

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member pays a deductible amount for each insured event as stated in the "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District when combined with internal cash reserves.

5.C. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Actual	Variance with Final Budget Favorable / (Unfavorable)
	Original Budget	Amendments	Final Budget		
Revenues:					
Intergovernmental	\$ 475,000	\$ -	\$ 475,000	\$ 528,400	\$ 53,400
Bridge inspection fees	180,000	(24,000)	156,000	175,170	19,170
Engineering fees	800,000	558,000	1,358,000	1,196,238	(161,764)
Signs	65,000	-	65,000	89,300	24,300
Construction inspection	500,000	(40,000)	460,000	632,098	172,098
Bridge construction fees	320,000	(95,000)	225,000	225,683	683
Auction proceeds	25,000	-	25,000	69,297	44,297
Interest income	-	-	-	1,846	1,846
Total Revenues	2,365,000	399,000	2,764,000	2,918,028	154,028
Expenditures:					
Current operations:					
General government					
Personal services	220,939	4,000	224,939	142,135	82,804
Maintenance and operation	210,655	13,800	224,455	75,078	149,379
Bridge inspection					
Personal services	132,450	1,050	133,500	112,238	21,262
Maintenance and operation	15,550	-	15,550	10,578	4,972
Engineering					
Personal services	295,200	262,753	557,953	524,375	33,578
Maintenance and operation	488,900	225,150	714,050	396,912	317,138
Signs					
Personal services	40,452	(1,952)	38,500	34,200	4,300
Maintenance and operation	22,000	18,450	40,450	59,017	(18,567)
Construction Inspection					
Personal services	295,440	37,860	333,300	390,265	(56,965)
Maintenance and operation	72,000	13,000	85,000	177,971	(92,971)
Bridge building					
Personal services	32,750	(9,950)	22,800	20,247	2,553
Maintenance and operation	282,500	(81,600)	200,900	203,229	(2,329)
Capital expenditures	59,000	31,500	90,500	84,384	6,116
Debt Service	-	-	-	-	-
Total Expenditures	2,167,836	514,061	2,681,897	2,230,627	451,270
Excess revenues over (under) expenditures	197,164	(115,061)	82,103	687,401	605,298
Fund balance, beginning (Non-GAAP budgetary basis):	-	-	-	2,260,423	-
Prior period adjustment	-	-	-	-	-
Fund balance, ending (Non-GAAP budgetary basis):	\$ 197,164	\$ (115,061)	\$ 82,103	\$ 2,947,824	-
Adjustments to Generally Accepted Accounting Principles					
Revenue and transfer accruals				(119,352)	
Expenditure and transfer accruals				(307,006)	
Fund balance, ending (GAAP basis)				\$ 2,521,466	

See accompanying notes to the basic financial statements

CIRCUIT ENGINEERING DISTRICT #7
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

Under current Oklahoma Statutes, the general fund is required to adopt a formal budget. The budget presented for the general fund included the originally approved budgeted appropriations for expenditures and the supplemental appropriations. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by approval of the Board. Supplemental appropriations were necessary during the year, which increased the original budget amounts.

1. Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue of each fund. Prior to adoptions, the Board must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available from estimated resources. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased.

2. Appropriations

Appropriations are required at the object level, personal services, maintenance and operations, or capital outlay, within the fund. Appropriations may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources. Allocations of appropriations among funds and objects within a fund may be modified during the year by approval of the Board.

3. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under GAAP, revenues and expenditures are recorded on the full accrual basis on the government-wide statements and on the modified accrual basis of accounting on the governmental fund statements.

For the year ended June 30, 2013, the District did not exceed net budgeted expenditures.

STATISTICAL SECTION

**CIRCUIT ENGINEERING DISTRICT #7
STATISTICAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

Date of Creation: 1999

Member Counties Beckham
 Blaine
 Custer
 Dewey
 Greer
 Harmon
 Jackson
 Kiowa
 Roger Mills
 Tillman
 Washita

The first Circuit Engineering District in Oklahoma

Number of Full-time General government – 3
Employees Bridge inspection – 3
 Engineering – 6
 Bridge building - 1
 Construction Inspection – 5
 Sign Shop – 1

Source: Circuit Engineering District #7

CIRCUIT ENGINEERING DISTRICT # 7

MISCELLANEOUS STATISTICS

JUNE 30, 2013

	Beckham	Blaine	Custer	Dewey	Greer	Harmon	Jackson	Kiowa	Roger Mills	Tillman	Washita	Total
Miles of Roads Inside the District:												
State (Includes Interstates)	300	177	157	130	128	103	153	213	164	149	178	1,869
County	1,153	1,309	1,401	1,149	845	777	1,210	1,548	1,258	1,437	1,871	13,737
Total Road Miles	1,452	1,486	1,558	1,285	973	880	1,363	1,761	1,422	1,586	1,849	15,626
Number of Bridges Inside the District:												
State (Includes Interstates)	131	53	125	34	28	28	54	120	50	71	81	778
County**	191	232	273	148	203	82	257	331	191	220	305	2,341
Total Bridges	322	285	398	182	231	111	311	451	151	219	386	3,117
Substandard Bridges Inside the District:												
State (Includes Interstates)	13	3	19	-	-	2	1	15	4	1	0	68
County**	10	31	24	9	3	3	24	22	2	17	50	195
Total Substandard Bridges	23	34	42	9	3	5	25	37	6	18	59	281
Replacement Cost of All Deficient State Bridges	\$ 23,126,525	\$ 4,129,749	\$ 60,179,849	\$ -	\$ -	\$ 7,636,717	\$ 2,789,662	\$ 24,643,554	\$ 8,963,122	\$ 1,589,674	\$ 15,008,625	\$ 148,187,477
Replacement Cost of All Deficient County Bridges	\$ 3,014,000	\$ 9,568,000	\$ 6,880,000	\$ 2,386,000	\$ 674,000	\$ 895,000	\$ 7,390,000	\$ 6,830,000	\$ 540,000	\$ 4,429,000	\$ 14,968,000	\$ 58,074,000
Total Replacement Cost of All Deficient Bridges	26,140,525	15,697,749	67,159,849	2,386,000	674,000	8,531,717	10,179,662	31,573,554	7,503,122	6,118,674	29,976,625	206,241,477
Number of Road/Bridge Projects* Inside the District:												
State (Includes Interstates)	5	4	2	1	-	-	1	2	1	2	3	21
County	1	1	1	1	-	1	-	1	1	1	3	11
Total Projects	6	5	3	2	-	1	1	3	2	3	6	32
% of Road/Bridge Projects* Inside the District:												
State	\$ 21,057,663	\$ 6,303,320	\$ 2,747,415	\$ 300,000	\$ -	\$ -	\$ 486,438	\$ 3,804,331	\$ 1,275,560	\$ 1,545,843	\$ 2,163,257	\$ 41,513,832
County	\$ 23,835	\$ 677,392	\$ 775,444	\$ 1,295,954	\$ -	\$ 7,176,530	\$ -	\$ 334,304	\$ 421,183	\$ 4,587,478	\$ 4,578,868	\$ 20,551,068
Total % of Projects	\$ 21,081,598	\$ 6,980,712	\$ 3,522,859	\$ 1,595,954	\$ -	\$ 7,176,530	\$ 486,438	\$ 3,938,635	\$ 1,696,728	\$ 6,133,321	\$ 6,772,123	\$ 62,064,899

*Amounts based on Oklahoma Department of Transportation contracts awarded from letters of July 1, 2012 to June 30, 2013

** Most of the temporary piers were removed from the inventory, as mandated by the FHWA, in 2013

Source: Circuit Engineering District #7, ODOT

OTHER REPORTS



205 West McElroy
Stillwater, OK 74075
(405) 624-9500

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Circuit Engineering District #7, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Circuit Engineering District # 7, Oklahoma (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Stillwater, OK

December 17, 2013